

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONERBEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON

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In the Matter of)	No. D 99-71
Leader National Insurance Company,)	CONSENT AND ORDER
)	TO LEVY FINE
<i>Authorized Insurers..</i>)	

FINDINGS:

1. Leader National Insurance Company was incorporated on March 20, 1963, under the laws of Ohio as Northstar Insurance Company. In September, 1963, the present title was adopted and Leader National Insurance Company ("Leader") began business in December of 1993. The company was acquired by American Premier Underwriters in May of 1993. The company is licensed to market personal and commercial auto coverage in Washington State.
2. The Office of the Insurance Commissioner ("OIC") performed a Market Conduct Examination of Leader with respect to claims closed for Washington insureds from August 1, 1997 through July 31, 1998.
3. On April 7, 1999, a Report ("the Report") setting forth Findings, Conclusions, and Orders with respect to the above-referenced Market Conduct Examination was adopted by the Insurance Commissioner.
4. The Report found the following facts to be true during the period covered:

5. Six of the 355 closed claim files examined contained correspondence on generic letterhead that did not identify the insurer in the letterhead or the signature block. The policy numbers relating to these files were 1062899, 1050262, 1052172, 1050206, 1066952, and 1043622.
5. Twelve claim files contained documentation of payments that did not explain under what coverage the payment was being made.
6. Seven claim files revealed either procedures that were not designed to deliver payments within 15 business days, or implementation that had the same effect. The policy numbers pertaining to those seven files were 1044595, 1046940, 104152, 1043271, 1064695, 1043874, and 1052938.
7. Sixteen claim files did not contain documentation of all pertinent events such that the examiners could reconstruct those events and their dates. The policy numbers pertaining to those fifteen files were 1062171, 1054263, 1038421, 1055975, 1045093, 2733935, 1043730, 1046940, 2728564, 1049675, 1048411, 1052019, 1043177, 1041772, 2731548, and 1045152.
8. Twenty-eight claim files contained thirty-five pertinent communications which reasonably suggested that a response was expected where none was forthcoming either at all, or within ten working days. The policy numbers corresponding to those twenty-eight files were 1050379, 1053541, 1043493 (2 failures to respond), 1065297 (2 failures to respond), 1064168, 2728564 (2 failures to respond), 2729078, 1049693, 1043394, 1061659 (2 failures to respond), 1043688 (2 failures to respond), 1043610 (2 failures to respond), 2729740 (2 failures to respond), 2734192, 1043703, 1052019, 1045093, 1044633, 2731411, 1043622, 1041561, 1045806, 1065641, 1043245, 1066758, 1043622, 1043813, 1050386, and 1045152.
9. In one of the claim files examined, Leader failed to respond to two OIC inquiries within 15 business days.
10. The investigation of nine claims was unreasonably extended beyond thirty days after notification of the claim. The policy numbers corresponding to those nine unreasonably delayed investigations were 1043394, 2733918, 2733935, 1052019, 1043221, 1062899, 1049704, 1043735, and 1055993.
11. In forty-seven instances, the proper method for establishing the actual cash value of a total loss vehicle was not followed. The policy numbers corresponding to those forty-seven instances are too numerous to list here. They are listed on page 8 of the Report.
12. Leader's general business practice was not to provide their insureds with any written explanation of the personal injury protection provided by the policy when they were presented with a first party personal injury claim. There were 299 personal injury claims contained in the files closed during the examination period.
13. Three claim files involving total losses did not contain evidence that the title had been properly surrendered to the Department of Licensing and that the Department of Motor Vehicles had been notified. The policy numbers corresponding to those files were 1046940, 1070922, and 1066097.

CONCLUSIONS

1. Leader's failure to conduct business in its legal name by corresponding on generic letterhead that did not identify the insurer in the letterhead or the signature block constitutes numerous violations of RCW 48.05.190(1), six of which were identified during the Market Conduct

Examination.

2. Leader's failure to identify the coverage under which payments were made in twelve of the claim files examined constitutes a minimum of twelve violations of RCW 284-30-330(9).
3. Leader's failure to adopt and implement procedures that were reasonably calculated to deliver payment of claims within 15 business days, in seven of the claim files examined constitutes a minimum of seven violations of WAC 284-30-330(16).
4. Leader's failure to document all pertinent claim activity so that the examiners could reconstruct that activity in fifteen of the claim files examined constitutes a minimum of fifteen violations of WAC 284-30-340.
5. Leader's thirty-six failures to respond within ten working days to pertinent communications that reasonably suggested a response was expected in 28 of the claim files examined constitute a minimum of thirty-six violations of WAC-284-30-360(1) and (3).
6. Leader's failure in one of the claim files examined, to respond to two OIC inquiries within 15 business days constitutes a minimum of three violations of WAC 284-30-360(2).
7. Leader's unreasonable failure to complete its investigation within thirty days after notification of the claim in nine of the claim files examined constitutes a minimum of nine violations of WAC 284-30-370.
8. Leader's failure to follow the proper method for establishing the actual cash value of a total loss vehicle in forty-seven of the claim files examined constitutes a minimum of forty-seven violations of WAC-30-390(1)(a)(b).
9. Leader's general business practice of failing to provide insureds making a personal injury claim with the requisite written explanation of personal injury protection policy benefits and grounds for denial thereof in the 299 files containing personal injury claims that were closed during the examination period constitutes a minimum of 299 violations of WAC 284-30-395 (1).

CONSENT TO ORDER

Leader National Insurance Company hereby admits to the foregoing Findings and Conclusions.

The Commissioner has offered a settlement in lieu of suspending or revoking Leader National Insurance Company's certificates of registration.

By agreement of the parties, the OIC will impose a fine of \$115,750 and suspend \$57,875 on condition that:

1. Leader pay \$57,875 of the fine for its violations of Washington insurance law.
2. Leader commit no further violations of the statutes and regulations that are the subject of this Consent Order for a period of one year from the date on which this Order is entered.

EXECUTED and AGREED this _____ day of _____, 1999.

LEADER NATIONAL INSURANCE COMPANY

Title: _____

Signed: _____

ORDER

Pursuant to RCW 48.44.166, the Insurance Commissioner hereby imposes a fine of One Hundred and Fifteen Thousand Seven Hundred and Fifty Dollars, with Fifty Seven Thousand Eight Hundred and Seventy Five Dollars suspended, upon Leader National Insurance Company. The fine must be paid in full within thirty days of the date of entry of this order. Failure to pay the fine within the allotted time shall constitute grounds for the revocation of Leader National Insurance Company's certification of registration, and for the recovery of the full fine, including the suspended portion, in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

The Commissioner may impose the balance of the suspended fine and reserves the right to suspend or revoke Leader National Insurance Company's certificate of registration pursuant to statute and regulation should Leader National Insurance Company fail to meet the conditions set forth in the "Consent to Order" section of this document.

ENTERED AT OLYMPIA, WASHINGTON, this _____ day of _____, 1999.

DEBORAH SENN

Insurance Commissioner

By: _____

Carol Sureau

Enforcement Attorney
Commissioner

Office of the Insurance